GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:1436
ANSWERED ON:08.03.2002
INDUSTRIAL GROWTH RATE
BHUPENDRASINH PRABHATSINH SOLANKI;CHANDRA BHUSHAN SINGH;GANGASANDRA SIDDAPPA BASAVARAJ;MOINUL HASSAN AHAMED;NARESH KUMAR PUGLIA;NAWAL KISHORE RAI;PRABODH PANDA;SHYAMA SINGH

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the country had been witness of a downslide industrial growth rate since, 1995;

(b) if so, whether the Government have found not the factors for such downslides;

(c) if so, the outcome thereof;

(d) whether the industrial growth rate decline to about 2% during the first three-quarters of the current fiscal year in comparison to 6% in the same period of previous year;

(e) if so, the details thereof;

(f) the main factors that led to the decline and the sectors which have shown maximum decline;

(g) the extent to which this growth is less than the target fixed, if any;

(h) whether there are indications of overall decline in the annual industrial growth during 2001-2002;

(i) if so, the extent to which it is likely to fall against the annual target; and

(j) the plans formulated by the Government to boost its industrial growth rate?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (DR. RAMAN SINGH)

(a) to (j): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA UNSTARRED QUESTION. NO.1436 FOR 08.03.2002.

(a) to(c): The industrial growth rate since 1995-96 has shown a fluctuating trend. The growth rates registered since 1995-96 are given below:

1995-96	13.0
1996-97	6.1
1997-98	6.7
1998-99	4.1
1999-00	6.7
2000-01	5.0
2001-02+	2.3

+ April-December

Several cyclical and structural factors are believed to be primarily responsible for these fluctuating trends in industrial growth rate and the imbalances across the sectors, especially, in the post-liberalised era. Cyclical turns have impacted industrial output by accentuating demand -supply imbalances while the structural factors have inhibited the growth of capacity creation /expansion in industry, eroded competitiveness and increased the vulnerability of the economy to adverse cyclical or exogenous shocks

(d) to(f): As per the latest data available, the industrial growth during April-December 2001-02 has been 2.3% as against 5.8% registered during the corresponding period of last year. Mining and manufacturing sectors have been worst hit by the slowdown. The deceleration in industrial growth has been attributable to a number of structural and cyclical factors such as:

- Investment and business cycles.
- Inherent adjustment lags of corporate restructuring.
- Lack of both consumer and investment demand.
- Continued high real interest rates.
- Infrastructure constraints particularly in power.
- Delays in establishing credible institutional and regulatory framework to provide the requisite comfort level for private participation in some key sectors have also dampened private investment and industrial production.
- Lack of reforms in land and labour markets.
- Continued economic slowdown in countries that are major trading partners of India, viz, USA, Japan, and European Union.

(g) to (i) : The Planning Commission has set an annual growth target of 8.2% for Ninth Five Year Plan. As against this target a growth rate of 2.3% has been achieved during April-December 2001-02. According to the Estimates released by the Central Statistical Organisation (CSO), the growth rate for manufacturing sector, which has a weight of 79.4% in the overall Index of Industrial Production (IIP), is likely to be 3.3% during 2001-02. This growth rate is also below the annual target of 8.2% fixed by the Planning Commission for the industrial sector.

(j): The Government has taken several policy initiatives to boost industrial production in the country. These measures have been targeted to improve competitiveness of Indian industry in general and to boost aggregate demand, improve infrastructure base, upgrade technology, introduce labour flexibility and encourage FDI flows. Some of the initiatives taken recently are briefly mentioned below:

- Public spending out of the budgetary allocations has been stepped up. Government has already identified several `last mile projects` under various ministries for speedy completion.

- DIPP has proposed to conduct sector-wise studies in respect of capital goods, electrical manufacturing, pulp and paper and cement industries with a view to enhance the competitiveness of these industries.

- Companies Act has been amended to allow` buy-back of shares, by the companies.

- To deepen reforms in stock exchanges and to provide protection to the investors, Union Budget 2002-03 proposes amendments in SEBI Act 1992.

- The Government has announced guidelines for allowing 100% FDI in the development of integrated townships and regional urban infrastructure. This is expected to boost housing/real estate sector and also boost production in cement and steel sector.

- To boost Foreign Institutional Investment (FII) in India, FII portfolio investments will not be subject to the Sectoral limits for foreign direct investment except in specified sectors

- Mid term Export strategy for 2002-07, to lay stress on effective tax rebate schemes to help exporters. These include transparent and comprehensive schemes of reimbursement, comprehensive VAT system at every level, rebating service tax besides lower customs and excise duties for major inputs needed for exports, which can minimise the need for duty drawback.

- Sector-wise strategies to boost production for exports in key sectors, which include engineering/electronic/electrical and allied equipments, textiles, gems & jewellery, chemicals & allied sector have also been announced.

- To reduce infrastructure bottlenecks several incentives have been announced in the Union Budget 2002-03 for improvement in power, roads, civil aviation and ports.

- The Golden Quadrilateral project will be substantially completed by December 2003-a year ahead of schedule, major ports to be corporatised in a phased manner and an allocation of Rs 2500 crore has been made for the Pradhan Mantri Gramin Sadak Yojana for 2002-03.

- Infrastructure equity fund of Rs1000 crore will be set up to help in providing equity investment for infrastructure projects. Total Plan outlay on infrastructure in power, roads and railway is Rs 37919 crores.

- Union Budget 2002-03 proposes abolition of 16% special excise duty on all, except eight items.

- Additional 15% depreciation on new plant and machinery.

- Reduction of peak rate of custom duty to 30% from March 2002 and rationalisation of custom duty rates to two duty rates by 2004-05.

- Budget 2002-03 announced special incentives for textile industry.

- Measures to boost Housing sector such as repeal by the States of the rules under the Urban Land Ceiling Act and rationalisation of high stamp duty regimes proposed in the Union Budget 2002-03.